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Why Companies Change Auditors in Zimbabwe? (2003-2013)

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Abstract
The purpose of this research was to establish the underlying factors that cause companies 'to change auditors or switch from one auditor to another in Zimbabwe. This was motivated by the need to see if a relationship existed between auditor switch and variables such as qualified opinion, non-audit services, audit fees, audit quality, change in C.E. O and company size. The rising concern for auditor switch and the costs both direct and indirect attached to this decision and the absence of relevant studies in Zimbabwe motivated this project. Various authors were consulted on the problem above and they gave an insight to the problem. This study employed descriptive research design as its methodology because this design allows for the establishment of relationships and it is also used to obtain information concerning the current status phenomena that describes 'what exists' with respect to variables or conditions in a situation. The researcher used questionnaires as primary data collection tool and several publications to get secondary data. It was observed that audit fees, non-audit services, audit quality, change of management and company size among other factors play a role in companies switching from one auditor to another.
Key words: auditor switch, factors causing auditor switch, Zimbabwe.

Introduction

There are 72 companies listed on the Zimbabwe Stock Exchange. The companies cover all the sectors of the economy spanning from agro-industrial, banking and financial services, mining, manufacturing, retail, property and tourism sectors. Zimbabwe has recently emerged from a decade of economic contraction and world record hyper-inflation. The establishment of the Global Political Agreement ushered in a period of stabilization, aided by the de-monetarisation of the Zimbabwe Dollar and adoption of a multi-currency system dominated by use of the US Dollar. The robust private sector has reacted positively and capacity utilization has grown rapidly

Background of the Problem: After several accounting scandals during the 1900's the auditing profession was highly criticized for lack of independence and for not being able to provide assurance to the investors and creditors (Imhoff, 2003). Due to the auditors' lack of independence, a debate about mandatory audit firm rotation surfaced around the world. Audit firm rotation would lead to greater skepticism and provide a fresh new perspective on the companies' financial statements, (Kwon et al, 2010). It would also reduce the audit firms concern of losing clients as a result of disagreements with management. However, the requirement has some implications such as increased audit fees and lack of knowledge of the company among new auditors (Imhoff, 2003). Another concern that has attracted attention among regulators, market participants and academics is the rising audit market concentration. Over the last decades, the audit market has become more and more concentrated due to mergers between audit firms. In the 1980s and 1990s, the audit firm mergers reduced the global Big 8 to Big 5, (Abidin et al, 2010). The demise of Arthur Andersen reduced the audit firms to the Big Four (Hamilton et al, 2005). In addition, the regulators also distress that the market concentration would cause monopoly power and loss of objectivity and independence since only a few firms would dominate the audit market and this trend would limit the companies audit firm choice (Willekens & Achmad, 2003).

The Zimbabwean audit industry is also dominated by the so said "Big Four" players. There are of course other smaller accounting and auditing firms on the market. The country's financial sector faced crisis in 2003 – 2004. According to the Reserve Bank, the key causes of the crisis were liquidity and solvency problems underpinned by other factors such as inadequate risk management systems, poor corporate governance, diversion from core business to speculative activities, rapid expansion, creative accounting, overstatement of capital, high levels of non-performing loans and unsustainable earnings. We have witnessed closure of some of the local financial institutions that were listed on Zimbabwe Stock Exchange.

A number of circumstances might cause a company and its auditor to end their relationship. When a company chooses to provide a reason, users of the financial statements should mainly be concerned about the following: "internal control weaknesses," "restatements," "disagreements on accounting," "inability to rely on management," "scope limitation," "unauthorized opinion," and "illegal acts." These types of reasons may point to deficiencies in a company's accounting function, and may ultimately affect the reported financial results. "Independence impaired" and "cost reductions" reasons could have implications for the quality of the audit both before and after the change.

Reliable financial reports provide required information for managers, investors, creditors and

Government. Financial statement users rely on this information only after the external auditor, who is independent, confirms the reliability of this information. Firms employ reputable auditors to assure outside investors the credibility of financial disclosures and hence mitigate the agency problems (Anderson, Kadous and Koonce, 2004). Thus auditors serve a corporate governance role in monitoring a firm's financial reporting process (Ashbaugh and Warfield, 2003). Independent audit reduces agency costs by verifying the truthfulness and completeness of the financial statements, thereby allowing more precise and efficient contracts to be based on the financial statements (Cohen, Kbrishnamoorhy and Wright, 2002

Justification of the research: Mandatory audit firm rotation has been a highly debatable issue worldwide as a solution for increased auditor independence. Despite the discussion, not many countries have yet introduced this as a legal requirement, and neither has Zimbabwe. Even though there are no legal requirements for companies to switch audit firm, several companies voluntarily decide to change audit firm. The purpose of this study was therefore to determine the underlying motivations for Zimbabwe limited companies' to switch audit firm and to contribute a further understanding behind the incentives for companies to change audit firm. Unlike prior research this study examines the emerging markets (capital and audit) rather than well established ones. The rising concern for auditor switch and auditor independence and the absence of relevant studies in Zimbabwe in this issue motivated this research. The study was guided by the following objectives:

- To unearth key determinants to auditor switch in Zimbabwe.
- To recognize the independence of the auditor in Zimbabwe through the knowledge of the factors that lead to change the external auditor.
- To identify the reasons for the application of international standards of auditing that may affect change in the external auditor.
- To identify the causes for the Office of Audit and that may affect the change of the external auditor.

Theory and Empirical Studies

Current discussion of audit firm rotation: Corporate scandals such as Enron, WorldCom and Global Crossing have raised concerns regarding the role of the auditor. The main criticism has been the lack of audit independence, which has resulted in decreased credibility for the financial information, (Chi, 2010; IFAC, 2003). The lack of auditor independence has been a worldwide concern and the debate about mandatory audit firm rotation has been highly discussed since it is believed to be an intervention for increased confidence for the auditor, as well as increasing the audit quality (Arel et al, 2005; Chi, 2010; Kwon et al, 2010).

The current debate about mandatory audit firm rotation has also been highlighted since regulators and other important institutions like IFAC and GAO have argued that long-term relationship between the audit firm and their clients may impair auditor independence and consequently, the objectivity in the audit (IFAC, 2003; GAO, 2004; EU, 2010). In addition, the close relationship between audit firm and client has also raised concerns given that it could lead to an eagerness to please the company instead of being the objective the third party (Arel et al, 2005). Such behavior could result in an acceptance of aggressive accounting and failure in detecting frauds (Myers et al, 2003). Henceforth, a regulation for mandatory audit firm rotation could prevent such situations. The debate has naturally created proponents and opponents, where the proponents argue that mandatory audit firm rotation would increase the auditor's independence, objectivity and create a fresh new perspective of the financial statements. Hence, a higher quality in the financial information would therefore take place. The opponents' argue that it would lead to increased costs for the companies´ and lost knowledge about the business, which could result in audit failures and decreased audit quality. (Geiger & Raghunandan, 2002; Myers et al, 2003; Arel et al, 2005) A further argument for not implementing mandatory audit firm rotation was highlighted in prior studies (Johnson et al, 2002; Ghosh & Moon, 2005) where they argue that audit failures are more frequent the first year when the auditor is still not familiar with the company.

Theories on audit switch: Researches in the area of audit switch bring in 4 theories to explain the subject, or examine the reasons for auditor changes by companies mainly in the well established markets as well as developed countries. These theories include: agency theory; signaling theory, insurance theory and economies of scale theory.

Agency theory: Francis and Wilson (1988) stated that the agency theory is used whenever the reason for auditor changes is related to the agency-related incentives for higher quality audit such as diffusion of ownership and owner-debt holder conflict. The type and the level of the agency costs (conflicts of interest) in the emerging markets may be different than those witnessed in the developed markets. According to Fan and Wong (2005) in the emerging markets it is difficult to reduce agency conflicts between controlling owners and the minority shareholders through conventional internal and external control mechanisms such as board of directors and takeovers.

According to the agency theory the extent of the information asymmetry between agents and principals in a company determine the desired audit quality. As already has been alluded before, it is said that an auditor limits the possibilities of agents to hide self-interest behavior that is at the expense of the principal. Research on quality of audit services suggests that large, international auditors (in most cases Big Four-firms) provide services of higher quality and therefore have a larger mitigating effect on agency-problems, (DeAngelo (1981), Palmrose (1986), Davidson and Neu (1993)).
Agency costs cannot be measured directly. It is generally recognized that agency costs increase with size, complexity and diversification of a company because the potential transfer of wealth from the principals to the agents relates directly to these variables. The control by the principals over the agents' actions is inversely related to size, complexity and diversification of the firm. In the audit literature, the researcher found three specific agency relationships where an auditor can attenuate agency problems: managers as agents of the owners, owners as agents of external investors and other employees as agents of managers. These relationships range from the manager-owner relationship, the owner-creditor relationship to the employees-owner/manager relationship.

Signaling theory: Beatty (1989) said signaling theory is mainly used to explain the reasons for auditor changes before or at the time of initial public offerings (IPO) and the issuing of new stocks. In markets where there is asymmetric information on the quality of the goods sold consumers cannot differentiate between those goods. The price they are willing to pay is that of a good of average quality in nature. Producers of goods with a poor quality are pushed out of the market at this price and disappear. Signaling better quality is one possibility to correct for this market failure (Akerlof (1970).
Signaling theory can also be applied to the choice of external auditors. Asymmetric information between corporate insiders and others on future cash flows and agency relationships leads to undervaluation of the company, which is most clear in the valuation of shares. This threatens the wealth of the existing shareholders when managerial expectations on future cash flows are above average. Therefore insiders have an incentive to signal this positive information. The selection of a high quality auditor is a possibility to signal favorable expectations, that is, if we assume that high quality auditors only accept clients with favorable expectations. Since high quality auditors will lose substantial reputation, capital and wealth if they are involved in litigation, these firms are less willing to audit risky clients (Firth and Smith (1995). However, results of empirical Research in Canada (Clarkson and Simunic (1994) and New Zealand (Firth and Smith (1995) shows a positive relationship between client risk and the size of the auditor, while in the United States of America a negative relationship is observed (Clarkson and Simunic (1994), Raghunandan and Rama (1999). The fact that auditors in Zimbabwe are rarely involved in litigation makes me suspect that the situation in Zimbabwe is more like that of Canada, but research should be done on this matter anywhere.

Insurance theory: The insurance theory implies that some companies may change their auditors in order to share risk (Wallace, 1985) and because they consider auditors as having "deep pockets" (Kothari et al., 1988; Schipper, 1991).
Users of financial statements may endure losses due to material misstatements. The probability of recovering these losses is larger when the company has an auditor and the probability even increases with the size and the reputation of the auditor. Large auditors have so called "deep pockets", that "insure" investors against the consequences of incorrect financial statements (Simunic and Stein (1995).
However, the price of this "insurance" will depend on the reputation of the auditor. High-quality auditors have substantial reputation capital and wealth at stake and will avoid auditing risky clients (Firth and Smith (1995). Relating the fee to the client risk is one way of deterring clients with too high a risk. This would explain why the combination high-risk company - large auditor is sometimes not observed in reality. It is important to notice that insurance theory and signaling theory lead to conflicting predictions on how auditor size is related to client risk. Following the insurance theory It is expected that companies with unfavorable financial ratios prefer Big N-auditors to Non Big N-auditors, contrary to the signaling theory.

Economies of scale: Since large audit firms are able to spread the cost of development and support for specialized services, it is profitable for these firms to specialize in large and/or listed clients (Eichenseher and Danos (1981), Benston (1985), Pong and Whittington (1994)). All studies report positive coefficients for their client size variable.

The Factors that may Cause Auditor Switches

Acquisition : Several studies (Bedingfield & Loeb, 1974; Anderson et al, 1993; Woo & Koh, 2001) have conducted researches based on acquisition as a reason why companies switch audit firm. In an acquisition both the acquired company (subsidiary) and the acquirer (parent company) usually have auditors. Due to high negotiation costs and audit fees, only one of them will remain as an auditor for the group. According to Anderson et al (1993) the underlying reason for switching audit firm in the acquired company, emanate in (1) economies of scale by using the same auditor for the entire group and (2) lack of diversity between the two companies. Moreover, other studies (Johnson & Lys, 1990; Anderson et al, 1993;) mention that the acquired subsidiary's audit firm will be exchanged when the acquired company's audit firm is larger than the acquired subsidiary's, due to economies of scale. Hence, two auditors´ from different audit firms´ might compromise each other, which leads to increased audit costs for the company (Anderson et al, 1993). Furthermore, Anderson et al (1993) argue that, in general, the acquirer is larger than the acquired subsidiary's and therefore it might be more cost effective to use the acquirer´s auditor.

Company size: According to Woo & Koh (2001) an increased company size will enhance the complexity and the agency relationship, which makes it more difficult for the owners to monitor the managers, and, debt holders to monitor the owners. Since mergers between Big N have increased, the competition have decreased among the big audit firms and therefore large companies do not have as many audit firm options as small companies do (Bagherpour et al, 2009). Accordingly, they suggest that large companies do not switch audit firms as often as smaller companies', since small companies' in general do not hire a Big N audit firm.

Ownership concentration: According to Francis & Wilson (1988), agency costs occur due to diffused ownership. Companies with dispersed ownership have more incentives to monitor activities since agency costs increases (Jensen & Meckling, 1976). A diffused ownership will lead to increased costs and also reduce the possibility to affect management since there are many interests to take into consideration (Francis & Wilson, 1988). Large companies with diffused ownership reduces related agency cost problems by separating internal decision management and control since it will diminish the opportunity for agents to expropriate individual wealth (Francis & Wilson, 1988). Accordingly, a highly complex control system increases the demand for high audit quality in order to control management. Some studies (Francis & Wilson, 1988; Woo & Koh, 2001) have found a relationship between diffused ownership and audit firm change, whereas Bagherpour et al (2009) did not find a relationship between the two variables. **Management ownership:** According to Jensen & Meckling (1976) there exists a moral hazard problem between managers and owners since the owner want to increase the value of the firm by taking risks, whereas the manager want to reduce risks in order to avoid decreased bonus compensation. Accordingly, by increasing the manager's ownership in the company, the risk taking actions could enhance since the manager might benefit from being risk taker due to management ownership (Jensen & Meckling, 1976). Francis & Wilson (1988) argue that agency costs could be reduced due to management ownership. Accordingly, with increased management ownership, the managers and owners will have similar interests and therefore the agency costs will decrease. In absence of management ownership, the managers will require high audit quality since they want to increase their credibility towards owners in order to increase their compensation (Francis & Wilson, 1988; DeFond, 1992). Moreover, Francis & Wilson (1988) and Woo & Koh (2001) expected a positive relationship between management ownership and audit firm change. Even though they did not find a relationship between the variables it is expected that there is a positive relationship between management ownership and audit firm change. **Management change:** Management change refers to the situation where the incumbent management is changed to another management due to bad results (Schwartz & Menon, 1985). Schwartz & Menon (1985) argue that failing companies may change management in order to rescue future operations. The stewardship theory is based on the perception that managers will choose an auditor that will reflect the shareholders expectations. Accordingly, when management has been exchanged, they might choose an audit firm that they suppose best reflects the will of the company's shareholders'. In addition, some of these studies (e.g. Beattie & Fearnley, 1995; Beattie & Fearnley, 1998) highlighted management change as one of the most important reasons why companies change audit firm. According to Eichenseher & Shields (1983) the working relationship between the client and audit firm is important. Hence, lack of working relationship between the new management and the company's audit firm might therefore initiate a change. According to Schwartz & Menon (1985) management change will result in new relationships, where the new management has pressure to improve the company results. Accordingly, switching audit firm might be one element for such improvement.

Qualified opinion: In line with the agency theory, shareholders and managers will act in self-interest in order to increase wealth. The decision to change audit firm may in some situations be in the best interest of both parties since switching audit firm could be an attempt to suppress unfavorable information, (Kluger & Shields, 1991; Gómez-Aguilar & Ruiz-Barbadillo, 2003). Companies change audit firm since they want to avoid qualified opinion and the related costs (Chow & Rice, 1982; Craswell, 1988; Lennox, 2000). Prior studies (Chow & Rice, 1982; Craswell, 1988; Archambeault & DeZoort, 2001) point out that the manager's concern about reduced compensation is an incentive to avoid qualified opinion. On the other hand, company owner wants to avoid losses in stock prices and lending agreements since they want to maximize the company value and therefore, they try to avoid qualified opinions.

Schwartz & Menon (1985) argue that qualified opinions could impair companies' possibility to loan money from e.g. financial institutions. Hence, a possible consequence due to qualified opinions could be increased interest rates. Craswell (1988) mention an overall negative price effect for companies due to qualified opinions and therefore companies´ will be concerned about receiving an unfavorable audit opinion, given its connection with certain costs. Gómez-Aguilar & Ruiz-Barbadillo (2003) argue that some companies´ choose to switch from a high-quality auditor to a lower-quality auditor in order to avoid a qualified opinion.

Audit quality: According to previous researches (Williams, 1988; Beattie & Fearnley, 1995) dissatisfaction with delivered audit quality has been a critical factor for companies' decision to switch audit firm. DeAngelo (1981) argues that the auditor must have technical competence and maintain independence in order to deliver high audit quality. The signaling theory is in particularly associated with the quality of the financial statements given that audit quality is something that could be signaled to outsiders (DeAngelo, 1981). According to Niemi (2004) larger audit firms are known to provide more accurate reports and are more informative in signaling financial distress. In the wake of the Enron scandal, former Andersen clients that demanded high quality financial statements were concerned that the demise of Andersen, and its involvement in Enron would send out negative signals to investors. Bewley et al (2008) illustrated that companies who had engaged Andersen, which was one of the Big N at the time, had done so in order to signal high quality financial reporting and therefore quickly switched audit firm when Andersen's failure was definite.

Audit fee: (Bedingfield & Loeb, 1974; Beattie & Fearnley, 1995; Beattie & Fearnley, 1998; Woo & Koh, 2001) have identified audit fee as the most important reason why companies' switch audit firm, especially for small companies given that audit fees consist of a large part of their total operational income. In contrast to these studies, Magri & Baldacchino (2004) demonstrated that audit fees is less important for big companies, and in particular for those companies' who hire a Big N audit firm since other variables like reputation and quality is more relevant.

Non-audit service (NAS): Many audit firms provide additional services, e.g. consulting, as a complement to audit service. The provision of non-audit services (NAS) to audit clients has been a longstanding issue. However, as the audit market has become more competitive, the audit firms have increasingly used NAS as an additional source of revenue. (Deberg et al*,* 1991). In addition, NAS is a service that many large companies require as a complement to the audit. DeBerg et al (1991) conducted a research on whether a company's decision to change audit firm is dependent on the demand for NAS. Their aim was to examine the development of the auditor-client opportunity. However, Deberg et al (1991) could not find any evidence that suggested a relation between audit firm switch and NAS. Nevertheless, even though Deberg et al (1991) did not find a positive correlation between audit firm change and NAS, it is still our belief that companies may want to switch audit firms due to an increased demand for NAS.

Research method

Research Design: For the purposes of this study, the descriptive survey design was chosen and this allowed for the establishment of relationships. It was also used to obtain information concerning the current status phenomena to describe 'what exists' with respect to variables or conditions in a situation , Key (1997). It provided an accurate portrayal or account of the characteristics for example, behavior, opinions, beliefs, abilities and knowledge of a particular individual, situation or a group.

Target Population: Thus for this study, the target population was 72 companies listed on Zimbabwe Stock. Best and Kahn (1993) suggested population as any group of individuals that have one or more characteristics in common that are of interest to the researcher.

Sampling: the sample size for the study was 40 companies. The random sampling technique was used in order to acquire an accurate depiction of the general population. The standard sample size according to Law et al is 30% of the population which in this case would have resulted to 22 companies, the researcher therefore, moved up from 30% sample size to 55% so as to empower the study. Random sampling is a simple sampling technique that is less costly in terms of both money and time. This technique is commonly used in field of business and management.

Data Analysis and Discussion

Response Rate: The response rate was 86% after distributing 40 questionnaires to companies. The minimum standard sample size according to Law et al (2003) is 30% of 72 listed companies which is 21.6 companies. The researcher however, had pushed the number to 40 as a way to empower the study even though a 100% response rate was not achieved but still felt above the 30% recommended by Law et al (2003) was still good. It was, however not easy to get such a high response rate. 5% of the respondents were Chief Executive Officers (C.E.O), 12.5% of the respondents were Executive Directors, 2.5% of the sources of the information were Non-Executive Directors and finally 80% of the respondents were somehow senior officials of the different companies listed on the Zimbabwe stock exchange. The researcher would have appreciated C.E.O's as only respondents in the study, but due to their busy schedules, this was not feasible hence, the 5% response rate from this group of people. Executive and Non Executive Directors were equally busy and were difficult to get hold of. The main source of information was the group identified as other Senior Officials. The researcher assumed that this group was equally knowledgeable and valued their contributions.

Work experience: The study observed that 88% of the respondents had been employed by their organizations for a period more than 5 years. Mosoge (1996) observed that a direct relationship between employees years of work experience and quality of service delivery to stakeholders. He stated that the higher the level of experience the better the quality of service delivery. These results were evidence of the amount of knowledge the respondents were likely to have about their organizations.

The Factors that may Cause Auditor Switches

According to Anderson et al (1993), changing audit firm is relatively rare and difficult to observe since the primary variables could be difficult to detect. Nevertheless the researcher, based on previous researches by other scholars identified some independent variables which relates to auditor change. The following discussion shall be based on the findings in relation to these variables and their relationship to the dependent variable which in this case is audit switch.

Growth of Profitability Ratio: The results follow the overall growth of the economy of Zimbabwe since 2009. 25% of the companies alluded that their growth rate was very good, 12% of the companies had a good growth of profitability ratio, 50% of the companies were satisfied with their growth of profitability ratio and 13% of the companies had bad growth of profitability ratio. Generally the companies listed on the Zimbabwe Stock Exchange are growing as has already been accepted that the economy of Zimbabwe is generally growing. Industries are however growing at different rates with mining industry being very attracting. This shows a lot of potential in the Zimbabwean economy. The auditing industry has a big market in such an environment.

Audit Fee Expense: 62.5% of the respondents regarded audit fee burden as expensive yet 32.5% of the subjects could not regard audit fee as expense as nor cheap. Probably the subjects expressed the audit fee to quality and importance of audit, of which it might be difficult to finally regard the audit fee as very expensive. On the other hand, audit fees are usually expressed in terms of a percentage of income of the client company. If these fees have always been charged this way then again they may neither be cheap nor expensive. The aspect of this study seems therefore to confirm that the audit fee could the reason behind auditor switch in Zimbabwe.

Relationship Rating of Auditor Switch with Audit Fee

22.5% of the respondents stated that there is a very strong relationship between auditor switch and the audit fee and 55% of the respondents said the relationship between auditor switch and audit fee is strong. On the other hand 15% respondents accepted the relationship to be of an average nature whilst 7.5% said the relationship is weak. This aspect of the research seem to confirm the findings of Kallunki et al, (2007) who identified audit fees as the most important reason why companies' switch audit firm, especially for small companies given that audit fees consist of a large part of their total operational income.

Competition Against Audit Firms: 75% of the respondents confirmed that the audit market has stiff competition, 10 % were not sure while 15% felt that the competition amongst the audit firms was not that intensive. A follow up question to this intense completion reveals that this could have been caused by the collapse of the Zimbabwean economy during the hyperinflationary environment which resulted in the closure of many companies. Auditors have to fight for the remaining companies and in order to get clients some auditors ended up offering a lot of non- audit services as a way of retaining and attracting clients. Intense competition on the audit market as well as the offering of non-audit services to clients seem to be the reasons for audit switch in Zimbabwe since clients will be looking at audit firms offering more non-audit services.

Audit Firm Size: The results of the study showed that 40% of the companies under investigation engaged large audit firms from Big 4, 22.5% engaged large firms from non big 4 whilst 37.5% engaged audit firms of medium size. The results also show that the country has an internationally recognized audit industry through the present of the big 4 audit firms on the market. The use of medium audit firms by 37.5% of companies that were under investigation showed that somehow this group of audit firms brings competition to large audit firms and that there could be potential of clients switching from large firms to this group of audit firms.

Relationship Rating of Auditor Switch with Company Size: On making an enquiry on the relationship between the two variables auditor switch and company size, the researcher found out that 17.5% of the respondents said that there is a very strong relationship, 52.5% said that there is a strong relationship whilst only 10% were not sure whether the relationship was positive or negative in nature. Only 20% of the respondents were said the relationship is negative. This aspect of the study confirms the conclusion made by Williams (1990), that company size and audit firm change are depend.

Audit Tenure: It was observed that 45% of the respondents had been with their current audit firm for a period more than 5 years while 30% had been with the current audit firm between 3-5 years wile 25% had been with their current audit firm for less than 3 years. A closer analysis revealed that the majority of these auditor switches took place during 2008 economic crisis. Such switches could be linked to any of the variables that have been discussed above.

Auditor Change: It was also observed 12% of the companies under investigation had switched auditors 3 times within a 10 year period while 40% of these companies had changed auditors twice within the same period and 27% had only switched auditors once, yet 21% had never switched auditors within the ten year period. The major reasons cited by the respondents as having motivated audit switch was hyperinflation environment, failure by audit firms to detect fraud, offering on non-audit services and change in management of the companies.

New Appointments of Chief Executive Officer: The study observed that 20% of the companies had not made any new appointments for the post of the chief executive officer within the past 10 years. The assumption here could be that these companies are still run by the same person as C.E.O. for all these years. 48% of the companies have only made one new appointment of the C.E.O in the past 10 years. Probably, the economic crisis and both the political and economic environment that the country was in prior to the formation of the Government of National Unity (GNU) has contributed much to the new appointments of C.E.O's as a number of skilled personnel left the country for what they thought were green pastures. 32% of the companies had maximum frequency of making new appointments of C.E.O within the last 10 years. This group of companies had made such appointments 3 times.

Relationship Rating of Auditor Switch with the Appointment of A New C.E.O: 45% of the respondents felt that there is a very strong relationship between auditor switch and the new appointments of C.E.O, 12.5% of the respondents said the relationship is strong whilst, 7.5% said the relationship is of an average in nature. On the other hand, 15% of the respondents said there is a weak relationship between these two variables and finally only 20% felt that there is a very negative relationship. Therefore, this study showed that there is a positive relationship between the two variables. This finding is a discovery that seem to confirm the statement made by Breesch, 2004, that, "management change can affect the company to switch audit firm".

Non Audit Services: It was observed that 52% of the respondents do engage a different audit firm for any other services out of audit while 48% of the companies studied would prefer to negotiate for non-audit services with their current auditors. Although it is well understood that the offering of non-audit services by the same auditor who is engaged to that particular organization is relatively against auditor independence, this study seems to confirm that the offering on non-audit services by the audit firms could be a contributory factor towards auditor switch in Zimbabwe.

Relationship Rating of Auditor Switch with the Provision of Non Audit Services: This study showed that there is again at least a strong relationship between auditor switch and the provision of non-audit services. 20% of the respondents said that the relationship is very strong, 47% on the other hand said the relationship is simply strong whilst 7% rate the relationship as average. Contrary, 23% of the respondents say the relationship is weak and finally only 3% felt that the relationship in question is very weak. This aspect of the study does not agree to the findings of DeBerg et al (1991) where they could not find any evidence that suggested a relation between audit firm switch and non-audit services. Nevertheless, even though Deberg et al (1991) did not find a positive correlation between audit firm switch and non-audit services, it is still the researcher's belief that companies may want to switch audit firms due to an increased demand for non-audit services as evidenced by the strong relationship between the two variables. **Qualified Opinion:** All of the companies under study testified that they had not received a qualified opinion during the last 10 years. These are public limited companies listed on the Zimbabwe Stock Exchange and I guess these companies work hard to earn an unqualified opinion due to the possible harm that may befall on the value of the company's stock in the event of them receiving a qualified opinion. This finding seems to confirm that managers want to avoid losses in stock prices and lending agreements since they want to maximize the company value and therefore they try to avoid qualified opinions as noted by Archambeault & DeZoort, in 2011.

Relationship Rating of Auditor Switch with Qualified Opinion: This study observed that 20% of the respondents rate the relationship between auditor switch with qualified opinion as average, 30% of the respondents rate the same relationship as very weak and the remaining 60% rate it as being weak. The results show that a total of 90% of the respondents agreed that there is a weak relationship between auditor switch and qualified opinion. The aspect of the study seems to confirm the findings from Branson & Breesch, (2004) who did not find a relationship between qualified opinion and switching audit firm.

Opinion Shopping: According to the findings from this study, there is no company that accepted that they believed in opinion shopping. 88% of the respondents do not purely believe in opinion shopping whilst 12% of the respondents are not sure. It is from this 12% percent that the researcher would accept that the element of opinion shopping could be real in our company. **Quality Rating of Audit Services:** The quality rating of audit services in the country from the listed companies point of view ranged from above average to average with each having 82.5% and 17.5% respondents respectively. The assumption made for such an outcome by the researcher is that, companies are generally comfortable with the audit services they are getting hence, an average rating. In addition, these same companies could have been leaving a room for improvements.

Relationship Rating of Auditor Switch with Quality: The researcher would personally identify audit quality as the most important reason that leads to auditor switch. In this study, it was found that the two variables, auditor switch and audit quality have a strong relationship as 70% of the respondents felt that the variables are strongly related. None of the respondents felt that by any chance these two variables could have a weak relationship. The aspect of audit quality in this study seem to confirm the arguments made by Beattie & Fearnley, 1995 that dissatisfaction with delivered audit quality has been a critical factor for companies decision to switch audit firm.

Conclusions and Policy Recommendation

Conclusions: The study observed that the audit fee being charged in Zimbabwe is expensive and that could be the reason behind auditor switch in Zimbabwe. It was also observed that there is intensive competition on the Zimbabwe audit market. This intense competition has been as a result of the collapse of the Zimbabwean economy during the hyperinflationary environment which resulted in the closure of many companies. Audit firms are therefore fighting for the remaining clients and the situation has not improved even after dollarization of the economy in 2009. On a positive note it was also observed that the Zimbabwean audit market though dominated by the big four audit firms, it also has small and medium audit firms which thus bring a balance on the market. It was also noted that company size and auditor switch are depended. As a company grows there is a tendency of wanting a bigger audit firm.

Despite the Zimbabwean audit firms offering satisfactory services to their clients, it was observed that most companies under investigation have not been with one auditor firm for a period exceeding ten years and this could be attributed to the challenges that the Zimbabwean economy is going through. Only a few companies under investigation have never switched auditors within the past ten years. Further the study observed that the appointment of a new board of management to a company is usually associated auditor switch.

The study observed that most of the audit firms in Zimbabwe are offering non-audit services to clients and this could be the reason behind auditor switch in Zimbabwe as companies are increasingly looking at value for money. It was observed that there is a strong relationship between auditor switch and the provision of non-audit services. None of the companies under investigation had been given a qualified opinion and that management of the companies could work flat out to avoid being given a qualified opinion. It was observed that management would want to avoid losses on stock prices and lending agreements since they aim to maximize the value of the company. It should be pointed out that no relationship was found between auditor switch and qualified opinion.

Audit service in Zimbabwe was rated to be good and audit quality was identified as a factor that could lead to audit switch in Zimbabwe. There is a strong relationship between auditor switch and audit quality.

Recommendations: Reliable information is the cornerstone of every efficient financial market. The reliability of the provided financial information depends mainly on the audit quality, hence, the issue of mandatory rotation should be formally accepted as law in Zimbabwe in order to avoid unnecessary auditor switches and also to increase auditor independence that will increase audit quality. Public Accountancy and Auditors Board (PAAB) should look into mandatory audit rotation since it would lead to greater skepticism and provide a fresh new perspective on companies' financial statements. Long term relationship between the auditor and their clients may impair auditor independence and consequently the objectivity of the audit. Its good there is audit switch in Zimbabwe but this has been caused by the economic meltdown and if that was not the case companies would not have been changing audit firms. Close relationship between audit firm and the client raises concern given that it could lead to an eagerness to please the company instead of being the objective of third party. Eventhough the quality of audit service in Zimbabwe was deemed good workshops on quality should continuously be held and PAAB should spearhead those workshops and make them mandatory.

PAAB must look into the audit fees being charged by audit firms in Zimbabwe since it was deemed to be expensive. The idea is not to impose fees but to see if things are done above board and if auditing firms are following and adhering to auditing standards on auditing fees.

Though competition is health for quality services, policy makers in Zimbabwe should come up with policies that will encourage and attract investment. The intensive competition on the audit market is as a result of the collapse of many companies during the world breaking hyperinflationary environment of 2008. The audit market should grow so that audit firms are assured of business because as it stand they are forced to compromise and offer a lot of non-audit services to be assured of clients. A conducive business environment is not only good for the growth of the economy but for the audit market.

I am of the view that PAAB should limit the amount of non-audit services to be offered by audit firms since this compromises auditor independence. A lot of countries in the developed world (e.g. UK and USA) now limit the amount of non-audit services to be offered by audit firm as a means to improve auditor independence.

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